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NOMA



NOMA INDUSTRIES LIMITED ANNUAL REPORT 1978

Directory

Directors

Mrs. Theresa Beck
*H. Thomas Beck
Rudolph A. Koehler
*Donald Rafelman
*Andrew Wedd

*Member of the audit committee

Officers

Mrs. Theresa Beck,
Chairman
of the Board

H. Thomas Beck,
President
and Chief Executive Officer

Rudolph A. Koehler,
Executive
Vice-President, and
Secretary

Norman S. Eckler,
Vice-President
Finance

Meinrad C. Meerkamper,
Controller

Operating Divisions and Subsidiaries

Beck Electric Manufacturing Company,
Downsview, Ontario
Ben Hoag,
Vice-President & General Manager

Beck Electric Manufacturing Inc.,
Stamford, Connecticut
Seymour Jeruss,
President

Cable-Tech Wire Company Limited,
Stouffville, Ontario
Siegfried Riemer,
President

Noma Displays Limited,
Downsview, Ontario
Rolph Baumann,
Manager

Noma Lites Canada Limited,
Scarborough, Ontario
Rudolph A. Koehler,
President

Outdoor Products Mfg. Ltd.,
Brampton, Ontario
William Czeban,
President

Head Office

375 Kennedy Road
Scarborough, Ontario M1K 2A3

Auditors

Touche Ross & Co., Toronto

Transfer Agent & Registrar

Montreal Trust Company

Stock Listing

Toronto Stock Exchange

Annual Meeting

The annual meeting of shareholders will be held on Friday, June 29, 1979 at 11:00 a.m. in the Saskatchewan Room of the Royal York Hotel, Toronto.

President's Message



To Our Shareholders:

1978 has been the most successful year to date for Noma Industries Limited. Consolidated sales and profits set new records for the Company as a whole and each operating division exceeded the sales and profit levels attained in the 1977 fiscal year.

In 1978 sales increased to $59.7 million from $45.8 million the previous year. We also achieved a substantial growth in operating profits which were up by 41%, to $2,236,000 or $2.20 per share, from $1,580,000 or $1.55 per share a year earlier. The application of prior year's tax losses in a subsidiary to reduce current income taxes payable created an extraordinary gain of $147,000 (14¢ per share) bringing net earnings per share for 1978 to $2.34.

Operating earnings before extraordinary gains represent a return on average shareholders' equity of 20.7% in 1978 compared to 16.7% in 1977. Earnings before income taxes and minority interest increased to 6.1% of sales from 5.3% of sales. Our aim in future years will be to obtain better margins on sales in order to further improve this ratio.

Inventories increased by approximately $4,000,000 over the December 31st, 1977 balance. However, most of this increment is in the cost of materials related to the manufacture of Toro products which has not required an appropriation of your Company's financial resources. Under the manufacturing agreement with Toro most of this inventory has been financed by non-interest bearing advances which stood at $2,489,000 at year end.

Copper is a major component of many of your Company's products. The ongoing requirement to maintain a substantial base quantity of copper on hand for production purposes has made our inventory investment and profits somewhat sensitive to the change in the price of this commodity. As an example, the higher cost of copper at the end of 1978 required an increased dollar investment in inventories over the December 31st, 1977 value of $165,000. This increase reflects in the current year's operating profit essentially as an inventory gain (approximately 9¢ per share.)

The 1978 operations provided $4,018,000 of working capital of which $1,533,000 was used for additional fixed asset acquisitions, $1,037,000 in dividend payments and $722,000 to reduce long term debt. After these applications, working capital increased by $717,000 to $8,569,000.

During the year your Company paid four quarterly dividends aggregating 36¢ per share on both Class A and Class B shares and a special year end dividend on December 6 of 66¢ per share.

In view of the 1978 results the quarterly dividend was raised to 12.5¢ per share as of April 30th, 1979. Shareholders' equity increased to $11,463,000 or $11.27 per share from $10,117,000 or $9.95 per share in 1977.

Operating review and outlook

In order to accommodate our continued growth we have authorized approximately $1,700,000 of capital expenditures for the 1979 fiscal year to expand the production capabilities at various divisions. It is expected that these expenditures will be financed as in 1978, out of cash flow from operations. All operating divisions have budgeted increased sales for 1979. Based on orders on hand, export sales of Canadian products to Europe and the United States should increase to over $3,000,000.

Noma Lites Canada Limited and its division, Beck Electric Manufacturing Company, are both experiencing higher sales in 1979. A major contribution to this increase has come from sales to other manufacturers which are expanding at a faster rate than other product groups. This is largely due to manufacturing skills and capabilities in producing electrical wire harnesses and power supply cords. In February 1979, Beck Electric Manufacturing Company added a further 15,000 square feet to it's existing facilities.

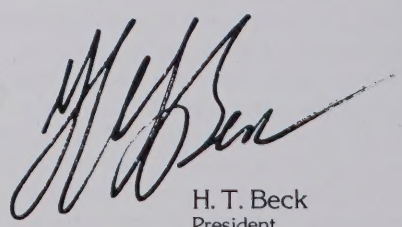
The Cable-Tech operation has planned additional throughput of wire for 1979 over the 1978 levels which will require comparatively little additional capital equipment. In the face of quickly rising copper prices, the major raw material of this division, Cable-Tech has maintained its profit levels although profit margins have suffered. Cable-Tech's current plant space is sufficient to permit installation of additional production equipment to increase output for a number of years.

Outdoor Products continued its substantial growth in its operations and has strengthened its management team. The market prices at which lawnmowers are being sold for the 1979 season are at all time low margins — well below equivalent U.S. prices. However, every effort is being made to improve profitability through manufacturing efficiencies and additional products are being added to expand the product range.

Our U.S. subsidiary Beck Electric Manufacturing Inc. achieved significant increases in sales and profits which we expect to continue in 1979. Management is focusing on improving the "bottom line" through greater productivity.

We welcome Mr. Norman S. Eckler, who joined our Company during the year as Vice President, Finance of Noma Industries Limited.

On behalf of the Board of Directors, I would like to pay special tribute to all of our employees, without whose efforts we would not have achieved the 1978 results.



H. T. Beck
President
& Chief Executive Officer

NOMA INDUSTRIES LIMITED
(Incorporated under The Business Corporations Act — Ontario)

Consolidated Statement of Earnings

For the year ended December 31, 1978

	1978	1977
	(Thousands of dollars)	
Sales	**$59,733**	$45,810
Costs and expenses		
Cost of sales and selling and administrative expenses	**53,283**	40,818
Depreciation and amortization (Note 9)	**1,363**	1,271
Interest on long-term debt	**694**	585
Interest on other indebtedness	**732**	684
	56,072	43,358
Earnings before income taxes, minority shareholders' interests and extraordinary item	**3,661**	2,452
Income taxes (Note 10)	**1,310**	840
	2,351	1,612
Minority interests in earnings of subsidiary companies	**115**	32
Earnings before extraordinary item	**2,236**	1,580
Utilization of tax losses of prior years	**147**	—
Net earnings	**$ 2,383**	$ 1,580
Earnings per share before extraordinary item	**$2.20**	$1.55
Earnings per share after extraordinary item	**$2.34**	$1.55

See accompanying notes to consolidated financial statements.

Auditor's Report

The Shareholders,
Noma Industries Limited.

We have examined the consolidated balance sheet of Noma Industries Limited as at December 31, 1978 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
April 2, 1979.

Chartered Accountants

NOMA INDUSTRIES LIMITED
(Incorporated under The Business Corporations Act — Ontario)

Consolidated Balance Sheet

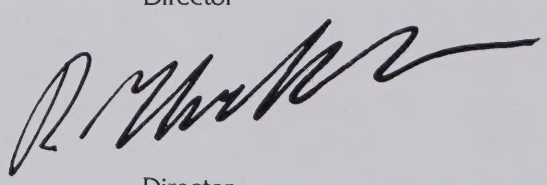
as at December 31, 1978

ASSETS	1978	1977
	(Thousands of dollars)	
Current		
Cash	**$ 745**	$ 298
Accounts receivable (Note 2)	**8,439**	6,536
Inventories	**13,719**	9,716
Sundry assets and prepaid expenses	**402**	416
	23,305	16,966
Fixed (Note 3)	**10,214**	9,999
Other (Note 4)	**673**	709
	$34,192	$27,674
LIABILITIES		
Current		
Bank indebtedness (Note 5)	**$ 6,055**	$ 4,175
Accounts payable and accrued liabilities	**5,162**	4,320
Advances from customer (Note 6)	**2,489**	—
Income taxes payable	**222**	—
Other short-term debt	**—**	154
Current portion of long-term debt	**808**	465
	14,736	9,114
Deferred income taxes	**1,785**	1,628
Long-term debt (Note 7)	**5,949**	6,671
Minority interests in subsidiary companies	**259**	144
	22,729	17,557
SHAREHOLDERS' EQUITY		
Capital stock (Note 8)	**2,457**	2,457
Retained earnings	**8,839**	7,493
Contributed surplus	**167**	167
	9,006	7,660
	11,463	10,117
	$34,192	$27,674

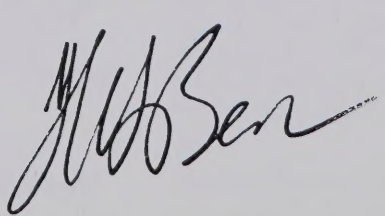
See accompanying notes to consolidated financial statements.

On behalf of the Board

Director



Director



NOMA INDUSTRIES LIMITED
(Incorporated under The Business Corporations Act — Ontario)

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1978

	1978	1977
	(Thousands of dollars)	
Funds provided by		
Net earnings before extraordinary item	**$2,236**	$1,580
Items not affecting funds		
Depreciation and amortization (Note 9)	**1,363**	1,271
Deferred income taxes	**157**	73
Minority interests in earnings of subsidiary companies	**115**	32
	3,971	2,956
Extraordinary item	**147**	—
Increase in long-term debt	**—**	1,835
	4,018	4,791
Funds used for		
Purchase of fixed assets	**1,533**	1,387
Dividends (Note 8)	**1,037**	266
Acquisition of an additional 10% interest in a subsidiary company	**—**	53
Decrease in long-term debt	**722**	—
Other	**9**	21
	3,301	1,727
Increase in working capital	**717**	3,064
Working capital at beginning of year	**7,852**	4,788
Working capital at end of year	**$8,569**	$7,852

Consolidated Statement of Retained Earnings

For the year ended December 31, 1978

	1978	1977
	(Thousands of dollars)	
Balance at beginning of year	**$7,493**	$6,179
Net earnings	**2,383**	1,580
	9,876	7,759
Dividends (Note 8)	**1,037**	266
Balance at end of year	**$8,839**	$7,493

Notes to Consolidated Financial Statements

December 31, 1978

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Principles of consolidation**
The consolidated financial statements include the accounts of the Company and all its subsidiary companies. All significant inter-company transactions are eliminated.

b. **Inventories**
Inventories of raw materials, work-in-process and finished goods are valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

c. **Depreciation and amortization**
Fixed assets are depreciated on the straight-line basis at rates intended to extinguish the costs of these assets over their estimated useful lives. Leasehold improvements are amortized over five years or the remaining period of the respective leases, whichever is the shorter period. Patent costs are amortized over a period of seventeen years.

d. **Goodwill**
Goodwill is amortized on a straight-line basis over forty years.

e. **Income taxes**
The provision for income taxes is computed on the allocation basis whereby provision is made for income taxes deferred by virtue of depreciation for income tax purposes exceeding that booked in the accounts. The Company uses the flow-through method in accounting for investment tax credits.

f. **Foreign currency translation**
All amounts in foreign currencies, including the accounts of the United States subsidiary company, are converted to Canadian dollars under the temporal method. However foreign currency obligations at the end of the year, to the extent that they are covered by forward contracts, are translated at the contract rates.

2. ACCOUNTS RECEIVABLE

Accounts receivable include $38,000 (1977 - $57,000) loaned to shareholder employees of the Company in connection with house purchases and $36,000 for purchases of shares in the Company.

3. FIXED ASSETS

	1978			1977
	Cost	Accumulated depreciation and amortization	Net book value	Net book value
Buildings	$ 3,713,000	$ 706,000	$ 3,007,000	$3,077,000
Machinery, equipment and leasehold improvements	11,342,000	5,112,000	6,230,000	6,059,000
Moulds, dies and tooling	1,352,000	936,000	416,000	302,000
	16,407,000	6,754,000	9,653,000	9,438,000
Land	561,000	—	561,000	561,000
	$16,968,000	$6,754,000	$10,214,000	$9,999,000

4. OTHER ASSETS

	1978	1977
Notes receivable	$ 42,000	$ 33,000
Patents	42,000	42,000
Goodwill	589,000	606,000
Deferred costs	—	28,000
	$673,000	$709,000

5. BANK INDEBTEDNESS

Bank indebtedness is secured by a general assignment of certain receivables and inventories.

6. ADVANCES FROM CUSTOMER

The amount of $2,489,000 has been advanced by a customer to finance certain inventories of a subsidiary company.

7. LONG-TERM DEBT

	1978	1977
Term bank loans (a)	$4,585,000	$4,900,000
Mortgages on real property (b)	2,172,000	2,236,000
	6,757,000	7,136,000
Less current portion	808,000	465,000
	$5,949,000	$6,671,000

a. Interest is payable at 1% to 1¼% above prime interest rate. The security is a fixed charge on land, buildings and equipment and floating charges on all the assets of the Company and its subsidiary companies subject to priorities of mortgages and assignment of certain receivables and inventories.

b. $1,065,000 with interest at 8¾%, due December 1, 1992.
$1,107,000 with interest at 10⅛%, due November 1, 1994.

The annual principal payments required in the next five years to meet the long-term obligations are:

1979	$ 808,000
1980	915,000
1981	922,000
1982	930,000
1983	1,039,000

8. CAPITAL STOCK

The Company's authorized capital stock is established at a total of 1,850,000 Class A or Class B special shares without par value and 150,000 common shares without par value.

At December 31, 1978, there were 192,759 Class A special shares issued and outstanding and 824,241 Class B special shares issued and outstanding, for a total of 1,017,000 shares issued for a consideration of $2,457,000.

Dividends paid during the year include a special dividend in the aggregate amount of approximately $539,000 which was paid on December 6, 1978. Approximately $30,000 was paid out of the Company's tax-paid undistributed surplus on hand and approximately $509,000 out of the Company's 1971 capital surplus on hand.

9. DEPRECIATION AND AMORTIZATION

	1978	1977
Depreciation	$1,271,000	$1,200,000
Amortization of		
Leasehold improvements	41,000	30,000
Patents	6,000	6,000
Goodwill	17,000	17,000
Moving expense	28,000	18,000
	$1,363,000	$1,271,000

10. INCOME TAXES

The provision for income taxes has been reduced by $271,000 (1977 - $159,000) in respect of investment tax credits and the inventory allowance. There are investment and job tax credits approximating $395,000 available to subsidiary companies to reduce income tax provisions in future years. These credits expire at varying dates up to 1985.

11. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate remuneration of directors and senior officers, as defined by The Business Corporations Act — Ontario, amounted to approximately $316,000 (1977 - $300,000).

12. COMMITMENTS AND CONTINGENCIES

a. The total rentals paid for 1978 amounted to approximately $427,000 under existing leases which are for various periods to 1993.

b. There were letters of credit outstanding at December 31, 1978 of approximately $498,000.

c. Foreign exchange contracts at December 31, 1978 amounted to approximately $3,450,000 (U.S.) at exchange rates ranging from $1.1561 to $1.1575.

d. The remaining 20% of the outstanding shares of a subsidiary company will be acquired at varying dates up to April 30, 1980 at prices based upon that company's future earnings. The Company will be acquiring an additional 10% of the shares of this subsidiary company for approximately $75,000 by April 30, 1979.

Outdoor Products Mfg. Ltd.

Outdoor Products Mfg. Ltd. an 80% owned subsidiary of Noma Industries Limited, manufactures and distributes lawn mowers, garden tractors, and snowblowers in a range of sizes and designs for the consumer market in Canada and for export.

From its modest beginning in 1971, the Company's growth has been impressive notwithstanding the risks associated with the seasonal characteristics of the markets for these products and a difficult year experienced in 1976. Since that time investment in new production equipment, consolidation of manufacturing facilities in a modern leased plant in Brampton, Ontario, and emphasis on production efficiency have collectively resulted in improved performance. Results in 1978 showed a continuation of this trend and the manufacturing plant has been expanded to 145,000 square feet to accommodate a higher volume of production.

Operating results in 1978 were better than the previous year although not all of our expectations were realized. Sales revenues increased and some gains in profitability were achieved.

Arrangements have been concluded with International Harvester for distribution of a garden tractor in the 8 h.p. to 28 h.p. range. On the other hand, our range of proprietory "CANADIANA" snowblowers has been extended by the addition of a compact 5 h.p. 22 inch model to our catalogue. The emphasis given to the production and marketing of snowblowers in 1978 resulted in increased sales in the domestic and export markets. In the export field, additional distributor arrangements have been made to expand our penetration to the markets in Europe.

Sales of lawn care products to the Canadian consumer also increased in 1978 although gains in profitability were limited by the depressed prices prevailing in the market.

In 1979 continued growth in sales with improved profitability is expected particularly in the snowblower portion of the market. In realizing our projections we will maintain our emphasis on improving productivity and cost control.



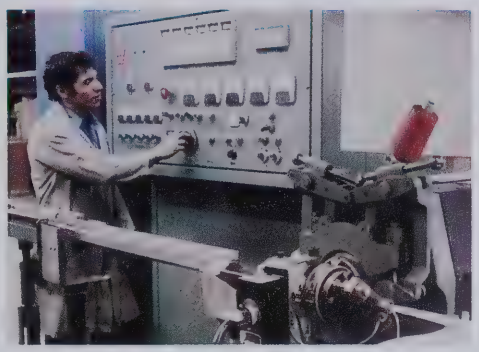


Beck Electric Manufacturing Inc.

Beck Electric Manufacturing Inc. is a 90% owned subsidiary of Noma Industries Limited carrying out a manufacturing and wholesaling operation for the United States market. In a leased 65,000 square foot, well equipped plant at Stamford, Connecticut U.S.A., the Company manufactures cord sets for the consumer market, electrical wire and Christmas lighting strings for the O.E.M. market, and purchases and distributes other Christmas decorative products.

During the 1978 fiscal year, our product diversification into the consumer cord set market progressed as planned together with an increase in our lighting string business. Accordingly, the overall sales revenues and profits in United States showed a satisfactory improvement over 1977 and met our expectations.

A number of skilled people were added to our staff in the areas of manufacturing as part of our program to improve our overall efficiency. This program will be given further emphasis in 1979 and we look forward to achieving additional gains in operational performance over the next twelve months.







Cable-Tech Wire Company Limited

Cable-Tech is a leading manufacturer of a wide range of electrical wires for the consumer market, and the electrical, electronics and automotive industries. The Company owned manufacturing facilties of 150,000 square feet situated on 13.5 acres in the town of Stouffville, Ontario is highly automated with some of the most modern equipment in the industry.

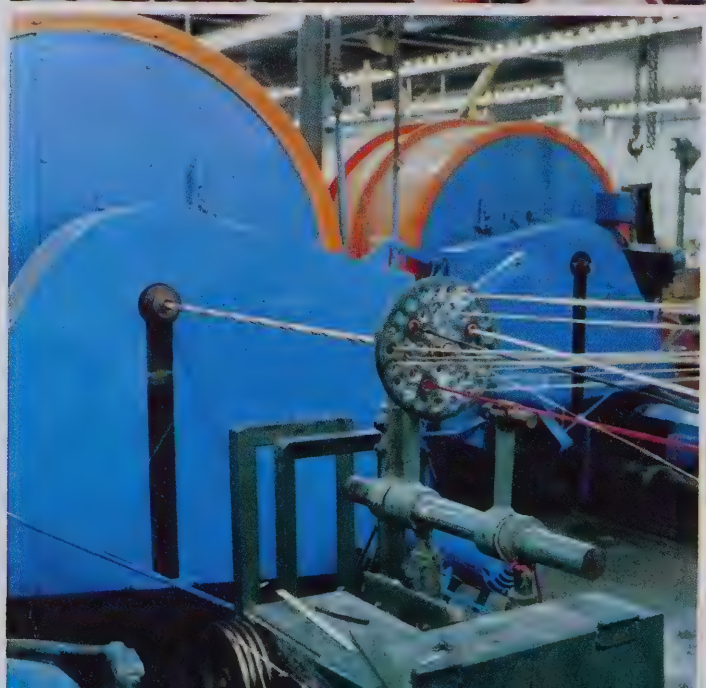
Since it began in 1969, Cable-Tech has enjoyed a good growth record with only a brief interruption in 1975. This growth continued in 1978 with an increase of 16% in sales over the previous year. Consistent with this pattern, major capital equipment was commissioned during 1978, establishing a base for further expansion over the next few years.

Cable-Tech has continued to build upon its position in the Canadian wire and cable industry and as a competitive supplier of electrical wires to a range of customers in the electrical industry and to the NOMA Group of Companies.

We therefore look forward to 1979 with confidence that the Company will achieve further growth in this very competitive market. Performance during the first quarter of 1979 supports this view.









Beck Electric Manufacturing Company

The emphasis placed in 1977 and in 1978 on increasing productivity and quality of workmanship has resulted in significant increases in both the sales revenues and profits of this Company. The Company specializes in the manufacture of custom wiring harnesses for Original Equipment Manufacturers in the major domestic appliances and electronic equipment fields.

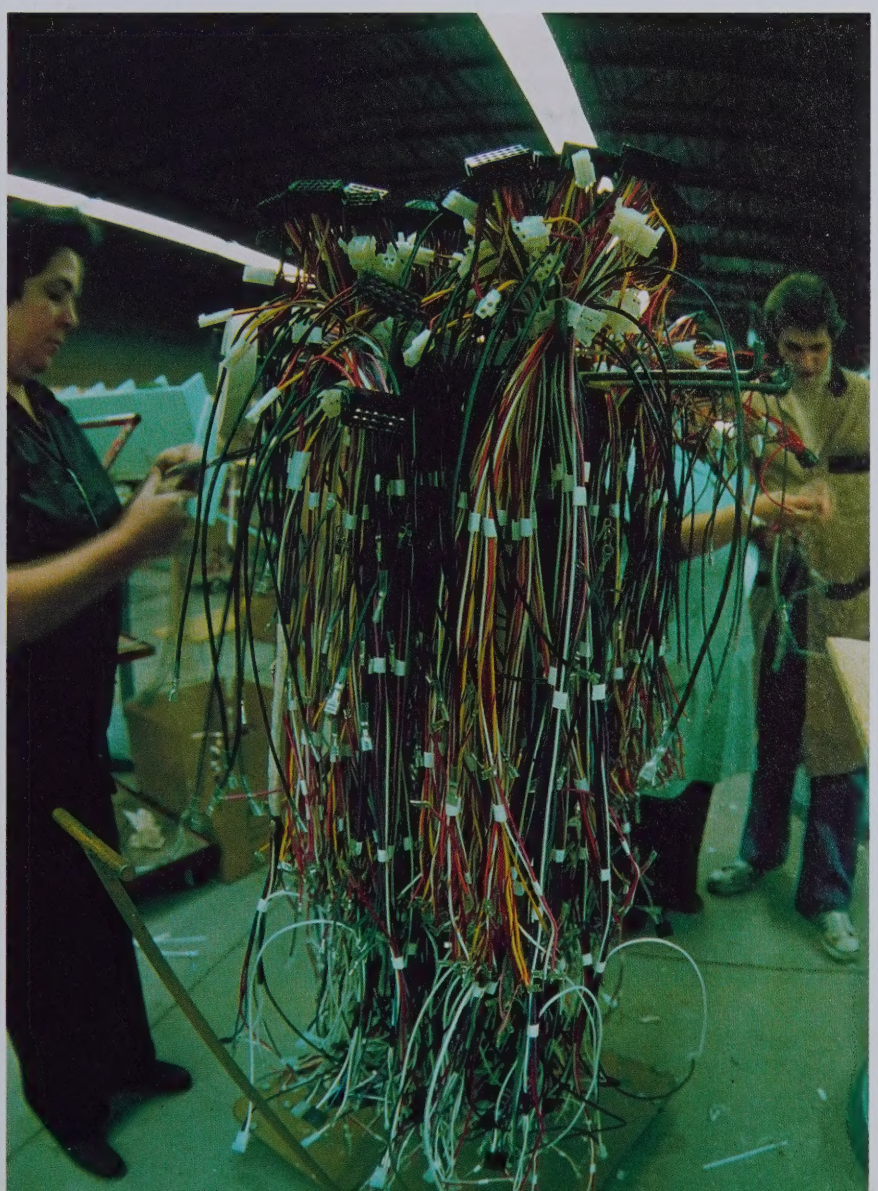
Manufacturing facilities are located at Downsview, Ontario in a leased 50,000 square foot modern and well equipped plant. Increased business achieved during 1978 and the prospects for 1979 together with the incentive provided under the Federal Tax Credit Employment Programme, have given us confidence to invest in an additional 15,000 square feet of manufacturing space and equipment early in 1979.

The major appliance industry continues to forecast relatively modest growth in 1979. However, our reputation in the wiring harness field as a competitive and reliable supplier of high quality products has been a contributing factor in achieving product diversification in the electronic equipment field. We are confident that the expansion of our facilities at Downsview and the introduction of new manufacturing skills and techniques will ensure additional business in 1979 in the manufacture of wiring harness for computers and allied electronic equipment.









Noma Lites Canada Limited

The Company's manufacturing facilities, main showroom, Ontario Sales Office and Head Office are located in the Company owned 200,000 square foot modern plant situated on 7.5 acres of land in Scarborough, Ontario. In addition, there are six Regional Sales Offices and Showrooms in other key cities across Canada.

The major product groups of Noma Lites are:

Electrical Wire Products (Consumer)
• Extension Cords • Appliance Cords • Building Wire • Flexible Wire

Electrical Wire Products (Original Equipment Manufacturers "OEM")
• Power cords for portable domestic appliances and power tools

Christmas Products
• Lighting sets • Artificial Christmas Trees • Christmas Decorations

Performance in each of the key product groups in 1978 exceeded that of the previous year and, as a result, higher levels of sales and profits were achieved overall.

In the Wire Products Group, new products introduced in 1978 have received good acceptance in the market and resulted in increased sales during the latter half of 1978. There are prospects of further increases in sales of these products in 1979 together with an encouraging upswing in some OEM accounts. Accordingly, new production equipment has been added to provide commensurate increases in capacity and to improve productivity.

In Christmas products, the new energy saving "ECONOEL" Lights were particularly successful in the market for outdoor Christmas lighting. Also, for the first time in many years, NOMA promoted the sale of its Christmas products by a radio advertising campaign in the major cities of Canada. Due to the success of the campaign it is planned to expand and continue the program in 1979 to cover the market more extensively.

Noma Displays Limited is an integral part of NOMA's activities in Christmas products and is one of Canada's leading manufacturers of artificial Christmas trees. It's wide range of decorative trees of different colours and size are distributed in Canada through Noma Lites and









Five Year Financial Summary

(In Thousands of Dollars except per share data)

	1978		1977		1976		1975		1974	
SALES										
- Consumer Products	**$30,243**	**51%**	$20,709	45%	$15,094	42%	$12,009	45%	$10,630	40%
- To Other Manufacturers	**13,763**	**23**	11,816	26	10,983	30	7,528	28	9,495	35
- Christmas Products	**15,727**	**26**	13,285	29	10,141	28	7,226	27	6,708	25
TOTAL	**$59,733**	**100%**	$45,810	100%	$36,218	100%	$26,763	100%	$26,833	100%
Net Earnings Before Extra-ordinary Items	**$ 2,236**		$ 1,580		$ 1,163		$ 354		$ 1,302	
Net Earnings	**2,383**		1,580		1,163		354		1,302	
Fixed Asset Additions	**$ 1,533**		$ 1,387		$ 1,365		$ 1,328		$ 3,043	
Depreciation & Amortization of Fixed Assets	**1,312**		1,230		1,094		928		690	
Total Assets	**34,192**		27,674		25,730		22,579		23,451	
Shareholders' Equity	**11,463**		10,117		8,802		7,896		7,657	
Earnings per share before Extraordinary Items	**$ 2.20**		$ 1.55		$ 1.14		$ .35		$ 1.28	
Earnings per share after Extra-ordinary Items	**2.34**		1.55		1.14		.35		1.28	
Dividends per share - regular	**.36**		.26		.20		.20		.20	
- special	**.66**		—		—		—		—	
Shareholders' Equity per share	**11.27**		9.95		8.66		7.76		7.53	
Market Price Range - High	**10.00**		6.25		4.75		4.75		7.25	
- Low	**5.50**		4.40		3.75		3.70		3.90	